

## Message Text

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ACTION IO-14

INFO OCT-01 EUR-12 ISO-00 OMB-01 TRSE-00 ABF-01  
ACDA-12 CIAE-00 INR-10 L-03 NSAE-00 NSC-05 EB-08  
NRC-07 OES-07 SOE-02 DODE-00 SS-15 SP-02 CEQ-01  
AF-10 ARA-14 EA-12 NEA-11 OIC-02 /150 W  
-----055545 141720Z /46

R 141654Z JUN 78  
FM AMEMBASSY VIENNA  
TO SECSTATE WASHDC 6805  
INFO USDOEHQ WASHDC  
USDOEHQ GERMANTOWN

UNCLAS SECTION 01 OF 02 VIENNA 05450

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DEPT PASS IO/SCT AND NRC  
DOE FOR AMMONS, IA

E.O. 11652: N/A  
TAGS: AORG, IAEA, OCON  
SUBJECT: IAEA BOARD OF GOVERNORS DISCUSSION OF PROPOSED  
BUDGET FOR 1979

1. SHORTLY BEFORE THE OPENING OF THE JUNE MEETING OF  
THE BOARD OF GOVERNORS (BG), THE DIRECTOR GENERAL (DG)  
OFFERED A SECOND SET OF REDUCTIONS IN THE BUDGET  
PROPOSED FOR CONSIDERATION BY THE A&B COMMITTEE IN  
EARLY MAY. THESE SECOND REDUCTIONS WERE CONTAINED  
IN GOV/1904/ADD.2 DATED JUNE 6 AND BROUGHT PROPOSALS  
CONSIDERED BY THE BG MEETING DOWN TO \$66,670,000;  
THIS INVOLVED CUTS OF \$4,229,000 FROM THE ORIGINALLY  
PROPOSED BUDGET OF \$70,899,000. THE DG'S SECOND  
PROPOSAL WAS STILL INSUFFICIENT TO SATISFY THE  
GOVERNORS OF FRANCE, THE FRG, OR BELGIUM, ALL OF  
WHOM CALLED FOR FURTHER REDUCTIONS. ALSO SPEAKING  
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IN FAVOR OF FURTHER REDUCTIONS WERE THE GOVERNORS  
OF THE USSR, CSSR, NIGERIA, INDIA, JAPAN, ITALY,  
PORTUGAL, PAKISTAN, MALAYSIA, EGYPT, BRAZIL,  
ARGENTINA, ROMANIA, GHANA, PANAMA, PERU, TUNISIA,  
SOUTH KOREA, AND MEXICO. NO SERIOUS CONSTRUCTIVE  
SUGGESTIONS WERE OFFERED AS TO EXACTLY WHERE THE  
BUDGET SHOULD BE CUT. THE LDC SPEAKERS WERE OPPOSED

TO CUTS IN TECHNICAL ASSISTANCE, PREFERRING INSTEAD TO HAVE THE CUTS MADE IN SAFEGUARDS IN ORDER TO PRESERVE THE "BALANCE" OF THE AGENCY.

2. SEVERAL GOVERNORS REPRESENTING MAJOR CONTRIBUTOR COUNTRIES SPOKE IN FAVOR OF THE DG'S PROPOSED BUDGET. THESE WERE THE GOVERNORS OF CANADA, AUSTRIA, THE USA, AUSTRALIA, THE UK, NORWAY, SENEGAL, AND KUWAIT. THOSE SPEAKING IN FAVOR OF THE DG'S PROPOSED BUDGET WERE LESS THAN ENTHUSIASTIC OVER THE SIZE OF THE INCREASE IN THE BUDGET BUT SAW IT AS UNAVOIDABLE UNDER THE CIRCUMSTANCES.

3. AT THE END OF A FULL DAY'S DISCUSSIONS OF THE BUDGET, A CONSENSUS EMERGED THAT THE DG SHOULD REVIEW THE BUDGET AND MAKE FURTHER CUTS AMOUNTING TO ABOUT TWO PERCENT OVERALL IN THE \$62,269,000 PROGRAM BUDGET PROPOSED IN THE ANNEX OF GOV/1904/ADD.2. THE \$4,431,000 PROPOSED FOR ADJUSTMENT OF PROGRAM COSTS (EXCHANGE RATE VARIATION) WAS RECOGNIZED TO BE BEYOND THE CONTROL OF THE DG OR THE BOARD. THE FRENCH PROPOSAL FOR REDUCTION IN THE BUDGET ALSO CALLED FOR A TEN PERCENT REDUCTION IN THE NUMBER OF NEW POSTS REQUESTED FOR 1979, WHICH WAS INCLUDED IN THE BG CONSENSUS. THE DG PROPOSED AND THE BG ACCEPTED THAT BG MEETING BE ADJOURNED UNTIL JUNE 15 AND THEN RECONVENE TO CONSIDER THE REVISED BUDGET. THE DG UNCLASSIFIED

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WILL CIRCULATE HIS REVISED BUDGET PROPOSAL JUNE 14.  
(SEE SEPTTEL FOR DETAILS PROVIDED INFORMALLY.)

4. THE TARGET FOR VOLUNTARY CONTRIBUTIONS FOR TECHNICAL ASSISTANCE WAS NOT CONSIDERED IN DETAIL BY THE BG IN VIEW OF LDC DESIRE TO DEFER DISCUSSION OF THE TARGET UNTIL THE BUDGET WAS SETTLED. THE CHAIR PROPOSED THAT IN VIEW OF THE FACTORS OF INFLATION, CURRENCY FLUCTUATION, THE NEEDS OF TA RECIPIENTS, THE RELATIONSHIP BETWEEN TA AND SAFEGUARDS, THE RELATIONSHIP OF TA TO OTHER PROGRAMS, CONTINUITY IN THE TA PROGRAM, THE CAPACITY OF DONORS TO PAY, AND TA PROGRAM GROWTH WHICH WERE CONSIDERED IN HIS CONSULTATIONS ON THE SUBJECT, A TARGET OF \$8,500,000 APPEARED TO BE A REASONABLE COMPROMISE. THE REP OF PAKISTAN THEN SPOKE RECOGNIZING FAVORABLY THE WORK OF THE CHAIRMAN, BUT CALLING FOR DEFERRAL OF DISCUSSION OF THE TARGET, AND THERE WAS NO MEANINGFUL DISCUSSION OF THE CHAIRMAN'S PROPOSAL. (IN SUBSEQUENT DISCUSSION RE AGENCY'S TECHNICAL ASSISTANCE REPORT, PAKISTAN REP STATED THAT HE APPRECIATED CHAIRMAN'S MOTIVATION IN OFFERING COMPROMISE FIGURE FOR TARGET, BUT PAKISTAN

REGRETTED THAT IT HAD DIFFICULTY IN ACCEPTING THAT  
FIGURE.)

5. IN GIVING HIS GOVERNMENT'S RELUCTANT APPROVAL TO  
THE DG'S PROPOSED BUDGET, THE UK GOVERNOR CALLED FOR  
EFFECTIVE PROGRAM REVIEW PRIOR TO THE A&B COMMITTEE  
MEETING NEXT YEAR. HE SUGGESTED THAT SUCH A REVIEW  
SHOULD BE IN OTHER THAN FINANCIAL TERMS AND INSTEAD  
BE CENTERED ON MANPOWER AND OTHER RESOURCES APPROPRIATE  
FOR THE EXECUTION OF AGENCY PROGRAM. AFTER SUCH A  
REVIEW THE BUDGET NECESSARY FOR THE PROGRAM IN VIEW

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NRC-07 OES-07 SOE-02 DODE-00 SS-15 SP-02 CEQ-01  
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INFO USDOEHQ WASHDC  
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OF THE PRIORITIES ESTABLISHED IN THE REVIEW WILL BE  
PREPARED FOR CONSIDERATION BY THE A&B COMMITTEE.  
SEVERAL REPS SUPPORTED THIS PROPOSAL AND THE DG  
UNDERTOOK TO FOLLOW THE SUGGESTED PROCEDURE NEXT  
YEAR.

6. THE GOVERNOR OF PAKISTAN, WITH SUPPORT FROM  
MANY OTHER LDC REPS, CALLED FOR FULL IMPLEMENTATION  
OF THE SAFEGUARDS FINANCING FORMULA SET OUT IN  
RESOLUTION GC/XX/341. UNDER HIS INTERPRETATION,  
INCREASES IN COSTS OF AGENCY PROGRAMS OTHER THAN  
SAFEGUARDS CAUSED BY INCREASES IN THE SAFEGUARDS  
PROGRAM SHOULD BE CONSIDERED "SAFEGUARDS COSTS"  
AND THUS ASSESSED ACCORDING TO THE FORMULA.  
RECALCULATION OF SAFEGUARDS COSTS UNDER THE PAKISTANI

INTERPRETATION WOULD SUBSTANTIALLY INCREASE THE COSTS  
ATTRIBUTABLE TO SAFEGUARDS. THE COSTS CONTEMPLATED  
WOULD INCLUDE AT LEAST OFFICE SPACE MAINTENANCE COSTS,  
PERSONNEL COSTS, AND B&F COSTS. IN RESPONSE TO THE  
SECRETARIAT'S PAPER ON SAFEGUARDS COSTS AND THEIR  
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ALLOCATION, THE PAKISTANI GOVERNOR STATED THAT THE  
PAPER MISSED THE POINT IN THAT THE SAFEGUARDS COST  
ALLOCATION FORMULA WAS AN EXTRA STATUTORY ARRANGEMENT  
ON WHICH THE DEFINITIONS IN ARTICLE 14 OF THE  
STATUTE HAD NO BEARING. THE PAKISTANI POSITION WAS  
NOT SUPPORTED BY REPS OF PRINCIPAL CONTRIBUTORS.  
7. THE SUBJECT OF SETTING UP A FACILITY FOR SAFEGUARDS  
OFFICERS TO BE RESIDENT OUTSIDE VIENNA CAME UP IN THE  
CONTEXT OF THE INCLUSION IN THE BUDGET OF FUNDS FOR  
SUCH A FACILITY IN JAPAN. THE GOVERNOR OF JAPAN  
EXPRESSED AN INTEREST IN KNOWING THE PROGRESS SO FAR  
ON THIS PROJECT. THE ARGENTINE GOVERNOR QUESTIONED  
THE SAVINGS RESULTING FROM THE ESTABLISHMENT OF  
RESIDENT SAFEGUARDS OFFICES AND EXPRESSED CONCERN  
OVER THE DETAILS OF THE ARRANGEMENTS FOR SUCH OFFICES.

8. THE RUSSIAN GOVERNOR IN HIS BUDGET STATEMENT  
REITERATED THE RUSSIAN GOVERNMENT OFFER TO PARTICIPATE  
IN A MULTINATIONAL PROJECT IN CONTROLLED FUSION  
RESEARCH, INCLUDING PROVISION OF SPACE IN THE USSR  
FOR CONSTRUCTION OF THE NEXT GENERATION OF "TOKAMAK"  
REACTOR. KIRK

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## Message Attributes

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